

HOUSE APPROVES NEW TAX BENEFITS FOR MILITARY PERSONNEL

Legislation Was Stalled for Weeks Over Special Interest Tax Breaks

WASHINGTON - Working to improve military and veterans' benefits on several fronts, U.S. Representative Tom Udall, D-N.M., today voted for legislation providing \$835 million in tax relief for men and women serving abroad and their families.

The Armed Forces Tax Fairness Act (H.R. 878) would correct some inequities in the federal tax code, and would also provide members of the armed forces with increased incentives to continue their service to the nation, as well as expand benefits for the nation's veterans.

"This bill will benefit our men and women in the military as they work to preserve our freedoms," Udall said. "By streamlining the tax code, we are helping the members of our armed forces so that they will no longer have to be burdened by out-of-date tax regulations that penalize them and their families."

The Armed Services Tax Fairness Act provides tax relief to members of the armed services including provisions to extend the deadline for filing tax returns, exempt from taxes the death gratuity payments for survivors, create a tax deduction (whether or not an individual itemizes) for reservists of up to \$1500 for travel more than 100 miles from home, and suspend the requirement that uniformed service members must have owned and used a home as a principal residence for at least two of five years to avoid capital gains taxes.

Udall criticized House leaders for delaying the bill by allowing members of the powerful House Ways and Means Committee to add several special interest tax provisions such as tax breaks for foreigners betting on U.S. horse races from outside the U.S.

Outrage over the tax measures successfully forced House Ways and Means Chairman Bill Thomas, R-Calif., to remove the special interest provisions and replace them with additional tax relief for members of the National Guard and Reserve.

Among the special interest tax provisions attached to the original version of the bill were: (1) a tax break for foreigners who place bets outside the United States on U.S. horse races, (2) a special tax rate on fuel that is a blend of diesel fuel and water benefiting the few companies that manufacture such fuels, (3) a tax break to benefit manufacturers of fishing tackle boxes, (4) a tax break to benefit landowners who sell timber from their land, and (5) a tax break for certain archery bows. Some of these tax breaks were considered in separate legislation and others were dropped altogether.

The new and improved Act will save military families \$85 million in taxes in 2003 and \$835 million over the next decade, which is \$353 more relief for armed service members and their families than under the original bill.

"This bill should have been passed weeks ago but some on the Ways and Means Committee saw an opportunity to use the needs of our service men and women as a 'vehicle' to carry their pet tax breaks. It was shameful and opportunistic and led to a delay in passage of the tax relief for troops and their families," Udall said. "We improved on the original bill by providing up to a \$1500 deduction for the necessary travel expenses for National Guard and Reserve members. When it comes to providing tax relief to these families that are asked to sacrifice so much, I think we should provide more, not less, relief."

Udall is a member of the House Committee on Veterans Affairs.

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